

2011-13 Senate Budget Proposal:

Living Within Our Means and Reforming State Government

Our Goal from Outset

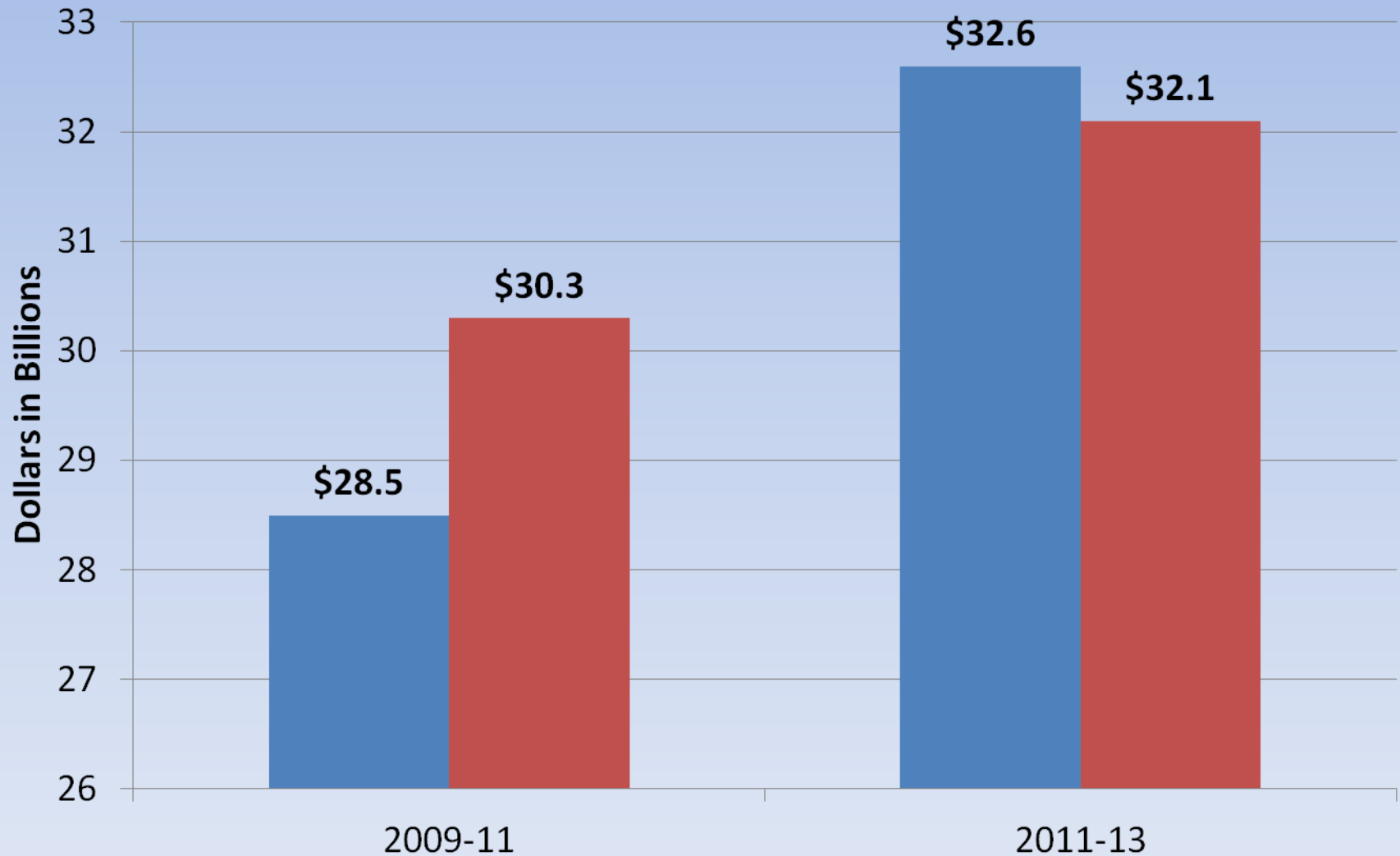
- Two major Republican goals for bipartisan approach
 - Agree on size of the budget “box”
 - Achieve key policy reforms for smarter, stable, sustainable budget

A. Living Within Our Means

Spending is \$450 million less than forecasted revenue

Near GFS & Opportunity Pathways Account

■ Revenues ■ Expenditures



More Savings than House

- Reduces spending by \$333 million more than House
- Does not rely on tenuous/speculative projection of \$300 million in revenue from liquor distribution deal
- Leaves \$738 million in reserves

B. Major Structural Reforms

1. K-12 Education

- Layoffs based on performance, not seniority, to support the concept of “excellent teachers for every student”
- Directs compensation work group (established by [HB 2261](#), 2009) to consider how to develop a system based on teacher performance rather than “seat time/educational attainment”
 - [Senate Bill 5914](#) *modified* (will be placed on [House Bill 1443](#))

Additional K-12 Highlights

- Increases state K-12 funding by \$378 million from current biennium
- Preserves levy equalization for “property-poor” school districts
- K-3 class size reduction gets more than twice what House proposes (\$64 M vs. \$25 M)
- Incentivizes attendance by paying schools based on daily attendance, rather than once-a-month “snapshot”

2. Higher Education

- Enact a long-term financing vision for four-year institutions that protects institutional quality and ensures affordability (tuition-setting authority)

— [Senate Bill 5915](#)

Additional Higher Ed Highlights

- The Senate budget is the best in terms of higher education institutional funding (state funding + tuition) of any budget proposed

3. Early Learning

- Reinvest same dollars to expand early learning slots
 - 480 more slots per year (vs. 8,200 currently)
 - Made possible via a 5% provider rate cut, imposing small co-pay, and unifying rates

4. Debt Service

- Constitutional amendment to constrain growth of debt service in operating budget
 - State currently spends nearly \$2 billion on debt service, which is more than the entire Department of Corrections or entire community college system
 - [*Senate Joint Resolution 8215*](#)

5. Health Care

- Enact a federal Medicaid waiver to give state greater flexibility in providing health care services to low-income residents
 - Health care has grown from 4% of budget in 1981 to 14% today, directly at expense of K-12/Higher Ed
 - Budget assumes imposition of co-pays and premiums, so no longer a free entitlement
 - [Senate Bill 5596](#)

6. Developmentally Disabled

- Closes Rainier School (Buckley) and Frances Haddon Morgan Center (Bremerton)
- Directs savings be invested back into account for developmentally-disabled community services
 - Enables DD individuals on waiting list for community services to be served
 - Funds first-ever community crisis and respite options, which offer families in crisis a real option to institutional care
 - *Senate Bill to be determined*

7. Employee Health Benefits

- Offer Health Savings Account option to state employees
 - Indiana's experience has shown this to be a popular option for state employees and has “bent the cost curve” – projected annual savings of 11% compared to traditional plans
 - [Senate Bill 5773](#)

8. Contracting Out

- Require certain services in state government be contracted out/put out for competitive bid, using authority currently in law
- Reforms delivery model of “enterprise services” in state government
 - Department of General Administration, Department of Personnel, State Printer (eliminated), Department of Information Services
 - [Senate Bill 5931](#) and Senate Budget

9. Workers' Compensation

- Budget assumes \$16 million in state general-fund savings from Senate-approved workers' compensation reform
 - Inclusion in budget means voluntary-settlement option will be part of final budget negotiations
 - [Senate Bill 5566](#)

10. Enhance Rainy Day Fund

- Bring long-term budget stability by requiring “extraordinary” revenue growth be saved, rather than spent
 - Had it been in place during last boom, the resulting budget deficit would have been more than \$4 billion smaller
 - [Senate Joint Resolution 8206](#)

11. K-12 insurance pool

- Follow state-auditor recommendations that savings can be achieved by consolidating K-12 health care purchasing
 - Provide financial incentive for school districts to voluntarily move into state purchasing pool
 - Per auditor's recommendation, the pool would be specific to K-12 employees and not commingled with general-government state employees
 - *Senate Bill to be determined*

12. Corrections

- Reduce crime over the long run using evidence-based research
 - Achieve savings via 60-day early-release policy, excluding certain offenses
 - Reinvest portion of savings into evidence-based treatment for adult/juvenile offenders
- Projected to significantly reduce yearly crime figures in coming years

13. Welfare Reform

- Reform of Temporary Assistance to Needy Families (TANF) program
 - Substantive policy reforms to clamp down on fraud related to electronic benefit-transfer cards and child-care subsidies
 - [Senate Bill 5921](#)

14. Social Service Reform

- Eliminate General Assistance-Unemployable (aka “disability lifeline”) cash benefit and pare costs spent on GA-U medical
 - One of fastest-growing areas of state budget
- Basic Health Plan – Limit enrollment to citizens
 - Nearly 1/4 of enrollees had been non-citizens
- Non-citizen’s children’s health program
 - Removes from law, support set only through budget

15. Address Long-Term Liabilities

- Initiative 728 (class size reduction) and Initiative 732 (automatic teacher pay raises)
- Reform Guaranteed Education Tuition program
- Eliminate low-income property tax deferral program created in 2007
- Stop abuse of “retire-rehire” option

Bottom Line

- Use this opportunity to transform Washington state government and enact reforms that put the budget on sounder, more stable footing